SUPREME COURT, U. S.

Supreme Court, U.S.
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IN THE

Supreme Court of the United States

October Term, 1970
No. 71-118

MASSILLON-CLEVELAND-AKRON SIGN CO.,
Petitioner,

vs.

GOLDEN STATE ADVERTISING CO., INC.; ALBERT A. GOLD; and McCOY-GOLD MERCHANDISING, INC.,
Respondents.

RESPONDENTS' BRIEF IN OPPOSITION TO PETITION FOR WRIT OF CERTIORARI.

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ARGUMENT.

This is an action involving the scope and enforceability of an Agreement between a patent holder and an alleged infringer. No litigation was pending at the time the Agreement was entered into. The Agreement includes a provision as follows:

> "1. ACKNOWLEDGEMENT OF VALIDITY OF THE SUBJECT PATENT
>
> MANUFACTURERS jointly and each for himself acknowledge validity of THE SUBJECT PATENT and M-C-A's ownership thereof, and further covenant jointly and each for himself that each will refrain from directly or indirectly contesting or questioning or being a party to the contesting or questioning of the validity of THE SUBJECT PATENT."

The Respondents endeavored to challenge the validity of the patent in the trial court relying upon this Court's decision in *Lear v. Adkins,* 395 U.S. 653. In that case this Court concluded that an implied estoppel to deny validity of a patent under State law was not enforceable as same contravened the strong Federal policy favoring free competition in ideas which do not merit patent protection. *Lear v. Adkins, supra,* did not deal directly with the validity of an express covenant not to contest validity. It seems readily apparent that if an implied covenant is void and unenforceable then surely expressing that which would have been implied makes same no less void and unenforceable. The decision of the Court of Appeals for the Ninth Circuit fully expresses that Court's reasoning in reaching this conclusion.

No substantial reason for the granting of the writ is found in the petition, merely petitioner's attempt to show the decision of the Circuit Court was erroneous. This is not a proper reason for granting the writ. There is no conflict with the decisions of this Court or of other Circuit Courts.

Standard Industries, Inc. v. Tegrett Industries, Inc., (1970) 397 U.S. 586, is not in conflict with the decision herein as it involved a question of procedure in pleading and trying a case. In that case, the failure to properly raise an issue by the pleadings and at the trial constituted a waiver of same which an intervening change in the law, *i.e., Lear v. Adkins,* 395 U.S. 653, did not relieve. The question therein presented involves many policy considerations not present in the instant case.

Endeavoring to label the contract between the parties in terms of a waiver to try to bring same within *Stand-*

ard v. Tegrett, supra, is merely to deal in semantics. The basic question presented to the Court below, which is fully governed by *Lear v. Adkins, supra,* is whether a patentee has the right to impose upon an alleged infringer an obligation to not contest validity and the answer is "No". Nothing in the patent laws authorizes same and same is in direct conflict with the strong Federal policy referred to repeatedly in *Lear v. Adkins, supra.*

To try to justify this void and unenforceable extension of a patentee's rights by labeling same as part of a Settlement Agreement is again merely resorting to semantics. This is not a case wherein a consent decree is involved; indeed, no litigation was pending when the contract was entered into. The clause forbidding contesting validity conflicts with the dominant policy favoring free competition, and this cannot be avoided merely by labeling same in terms of waiver or settlement.

Nor does the decision conflict with enforcement of a consent decree as in *Crane Boom Life Guard Co., Inc. v. Saf-t-Boom Corp.,* (8 Cir. 1966) 362 F. 2d 317, a case decided before *Lear v. Adkins, supra,* as that case again involves many policy considerations not involved in the present controversy, for example, the finality of a consent judgment.

While settlement of litigation is certainly to be encouraged, the policy in favor of same cannot be resorted to to justify a clearly invalid agreement as, for example, one in violation of the antitrust laws, or, as here, one which clearly conflicts with the strong Federal policy favoring free competition in unpatentable ideas.

Conclusion.

There is no reason why the extraordinary writ should be granted in this case. There is no conflict between the decision below with any decision of this Court or any Circuit Court. No other reason for the granting of the writ is even suggested in the petition.

Respectfully submitted,

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Attorney for Respondents.